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17

ORIGIN EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-14 IO-14 ISO-00

AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 FRB-03 H-03

INR-11 INT-08 L-03 LAB-06 NSAE-00 NSC-07 PA-04 RSC-01

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R 102108Z SEP 74

FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA

AMEMBASSY LA PAZ

AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY BOGOTA

AMEMBASSY SAN JOSE

AMEMBASSY SANTO DOMINGO

AMEMBASSY QUITO

AMEMBASSY SAN SALVADOR

AMEMBASSY ADDIS ABABA

AMEMBASSY ACCRA

AMEMBASSY GUATEMALA

AMEMBASSY CONAKRY

AMEMBASSY PORT AU PRINCE

AMEMBASSY TEGUCIGALPA

AMEMBASSY NEW DELHI

AMEMBASSY JAKARTA

AMEMBASSY KINGSTON

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AMEMBASSY NAIROBI

AMEMBASSY MONROVIA
AMEMBASSY MEXICO
AMEMBASSY MANAGUA
AMEMBASSY YAOUNDE
AMEMBASSY BANGUI
AMEMBASSY COTONOU
AMEMBASSY LIBREVILLE
AMEMBASSY ABIDJAN
AMEMBASSY TANANARIVE
AMEMBASSY LOME
AMEMBASSY PANAMA
AMEMBASSY ASUNCION
AMEMBASSY LIMA
AMEMBASSY LISBON
AMEMBASSY KIGALI
AMEMBASSY FREETOWN
AMEMBASSY DAR ES SALAAM
AMEMBASSY PORT OF SPAIN
AMEMBASSY CARACAS
AMEMBASSY KINSHASA
AMEMBASSY LAGOS
AMCONSUL LUANDA
INFO AMEMBASSY LONDON
USMISSION EC BRUSSELS
USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: BACKGROUND ON INTERNATIONAL COFFEE COUNCIL MEETING
SEPTEMBER 16-27

1. THE EXECUTIVE BOARD OF THE INTERNATIONAL COFFEE ORGANIZATION WILL MEET IN LONDON SEPTEMBER 9-13, FOLLOWED BY A MEETING OF THE INTERNATIONAL COFFEE COUNCIL SEPTEMBER 16-27. THE FOLLOWING INFORMATION IS PROVIDED ADDRESSEES FOR THEIR BACKGROUND.

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2. THE MAJOR TOPIC OF INTEREST AT THE COUNCIL MEETING WILL BE THE SCHEDULED DISCUSSIONS ON NEGOTIATION OF A NEW INTERNATIONAL COFFEE AGREEMENT. THE 1968 ICA EXPIRED SEPTEMBER 30, 1973 AT A TIME OF RELATIVELY HIGH COFFEE PRICES AND TIGHT SUPPLY. THE AGREEMENT WAS EXTENDED FOR TWO YEARS WITHOUT ECONOMIC PROVISIONS (EXPORT QUOTAS, LIMITS ON IMPORTS FROM NON-MEMBERS, CERTIFICATES OF ORIGIN, ETC.) TO ALLOW TIME AND A FORUM FOR NEGOTIATION OF A NEW AGREE-

MENT, MORE ADAPTABLE TO VARYING MARKET CONDITIONS.

3. NO SERIOUS NEGOTIATIONS HAVE TAKEN PLACE IN THE PAST YEAR AND IT IS INCREASINGLY IMPROBABLE THAT A NEW AGREEMENT COULD BE NEGOTIATED, RATIFIED AND ENTER INTO FORCE BEFORE THE EXTENDED AGREEMENT EXPIRES SEPTEMBER 30, 1975. THE U.S. HAS REPEATEDLY EXPRESSED ITS WILLINGNESS TO COMMENCE NEGOTIATIONS FOR A NEW AGREEMENT WITH ECONOMIC PROVISIONS AS

SOON AS OTHER KEY PRODUCING AND CONSUMING MEMBERS ARE READY TO DO SO. ALTHOUGH MOST PRODUCERS HAVE PAID LIP SERVICE TO THE DESIRABILITY OF A NEW AGREEMENT, EARLY INITIATION OF NEGOTIATIONS HAS NOT BEEN SERIOUSLY PURSUED BY MAJOR PRODUCERS OTHER THAN COLOMBIA. HOWEVER, RECENT DOWNWARD PRICE MOVEMENTS, RECOVERY OF BRAZILIAN PRODUCTION, AND THE PROSPECT OF A RETURN TO A SURPLUS SITUATION MAY GIVE PRODUCERS A NEW SENSE OF URGENCY. A DELEGATION FROM AFRICAN PRODUCING COUNTRIES LED BY IVORY COAST MINISTER OF AGRICULTURE SAWADOGO VISITED WASHINGTON THE WEEK OF SEPTEMBER 2 FOR CONSULTATIONS ON COFFEE. SAWADOGO INDICATED THE AFRICANS WOULD BE TABLING "CONCRETE" PROPOSALS FOR A NEW AGREEMENT AT THE LONDON MEETING. A ROUNDUP OF HIS VISIT WILL BE REPORTED SEPTEL.

4. THE U.S. POSITION AT LONDON WILL BE THAT WE REMAIN COMMITTED TO PARTICIPATE IN NEGOTIATIONS FOR A NEW COFFEE AGREEMENT AND THAT WE WILL GIVE SERIOUS CONSIDERATION TO ANY SUBSTANTIVE PROPOSALS OTHER CONSUMER OR PRODUCER COUNTRIES MAY HAVE. THE U.S. DELEGATION IS AUTHORIZED TO SUPPORT THE CREATION OF A WORKING GROUP ON NEGOTIATION FOR A NEW AGREEMENT AND TO INDICATE OUR WILLINGNESS TO PARTICIPATE IN SUCH A GROUP. SINCE IT IS UNLIKELY A NEW AGREEMENT COULD ENTER INTO FORCE BY OCT. 1, 1975 WHEN THE LIMITED OFFICIAL USE

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PRESENT AGREEMENT EXPIRES, THE U.S. DELEGATION IS ALSO AUTHORIZED TO SUPPORT THE FURTHER EXTENSION OF THE CURRENT COFFEE AGREEMENT WITHOUT ECONOMIC PROVISIONS FOR A PERIOD OF NO MORE THAN TWO YEARS.

5. WHETHER THE COUNCIL DECIDES TO START SERIOUS NEGOTIATIONS WILL DEPEND LARGELY UPON THE POSITIONS OF THE MAJOR LATIN AMERICAN PRODUCERS. BRAZIL, A KEY FORCE IN SHAPING ANY NEW AGREEMENT, HAS NOT DEFINED ITS COFFEE POLICY THUS FAR. IT IS QUITE POSSIBLE THAT BRAZIL MAY PREFER TO DELAY NEGOTIATIONS UNTIL IT HAS RESTORED ITS EARLIER HIGH PRODUCTION LEVELS TO BETTER SUPPORT ITS CLAIM FOR ITS "TRADITIONAL" SHARE OF EXPORT QUOTAS WHICH MIGHT EMERGE IN A NEW AGREEMENT. COLOMBIA IS BELIEVED TO BE EAGER FOR A NEW AGREEMENT, BUT HAS BEEN SELLING A RECORD

VOLUME OF COFFEE AT HIGH PRICES. THE POSITIONS OF THE
OTHER LATIN AMERICAN PRODUCERS ARE NOT CLEAR.

6. WE WILL SUPPORT AN EARLY START FOR SERIOUS NEGOTIATIONS.
IF IT IS DECIDED TO START NEGOTIATIONS, WE WOULD EXPECT THE
FIRST WORKING GROUPS TO MEET IN OCTOBER OR NOVEMBER. IF
THE COUNCIL SHOULD DECIDE TO FURTHER POSTPONE COMMENCEMENT
OF NEGOTIATIONS WE HOPE IT WILL BE CLEAR TO ALL THAT THE
U.S. IS NOT IN ANY WAY BEHIND SUCH FURTHER DELAY. KISSINGER

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